Minutes of Meeting

Health Services Council

Project Review Committee-I

DATE: 17 August 2004 TIME: 3:00 PM

LOCATION: Health Policy Forum

ATTENDANCE:

Committee I: Present: Edward F. Almon, Marvin Greenberg, MD, Robert J. Quigley (Vice Chair), DC, Robert Ricci

Not Present: Robert L. Bernstein, John Keimig, Robert S.L. Kinder, Daniel F. McKinnon (Chair), Robert Whiteside, John Young, William B. Zuccarelli

Staff: Valentina D. Adamova, Michael K. Dexter

Public: (see attached)

1. Call to Order, Approval of Minutes and Conflict of Interest Forms

The meeting was called to order at 3:05 PM. Staff noted that conflict of interest forms are available to any member who may have a

conflict.

2. General Order of Business

The first item on the agenda was the application of The Miriam Hospital for a Certificate of Need to Construct Three Floors to House Medical/Surgical Nursing Units, Upgrade the Emergency Department, and Consolidate and Upgrade Diagnostic and Patient Treatment Areas.

Dr. Hittner, President of The Miriam Hospital, introduced Ms. Coletta, COO of The Miriam Hospital. Ms. Coletta made her presentation as follows:

· The Miriam Hospital's ("Miriam") long-term goals are to raise the environment for quality of care.

· This project is designed to correct the environment of care and get it up to the level to meet the needs of contemporary standards and create capacity.

· Miriam is licensed for 247 beds but over the years, as other department grew, beds were taken out of service.

· One of the goals is to get back to the licensed capacity. The market demand is there based on the number of people in the emergency department and in post anesthesia recovery waiting for a bed.

· Another part of this project is the rooms themselves. The majority of the beds are semi-private and small.

· Everyday beds are lost to isolation. When a patient has to be isolated, and with a low number of private rooms, they get placed in a semi-private room and cannot use the alternate bed, thus reducing bed capacity.

· With semi-private beds, beds are lost due to wrong gender matches.

· There are rooms where two rooms share a common bath and there might be different gender patients in those rooms.

· In terms of volume, discharges at Miriam have been growing consistent, from 1999 to 2003 there was a 5% growth.

· Based on projection, in FY'09 Miriam would be at 100% occupancy if it does not address the licensed bed capacity.

· This project also includes emergency department ("ED").

· There is no extra volume projected in the CON for the ED. There is flat growth.

· The problem is that current visits don't fit. National standards, the recommendation is 2 visits per 1 sf and Miriam is doing 3 visits per 1 sf.

Ms. Coletta showed pictures of the interior of the hospital and stated the following:

· One of the nursing units that is proposed to be replaced (4B), has shared bathrooms, windows air conditioners which is problematic for infection control and items stored in the hallway.

· ED has to make bays, at one point in time ED patients were placed in the auditorium, but due to fire code issues are unable to do that anymore.

· Its routine to have patients lined up near the nurses' station.

Ms. Coletta continue with the presentation as follows:

· The project has involved the community.

· In 2002 Miriam submitted a CON for Surgical and Radiology, which involved a 2 story building that would have the ability to go up to 4.

· In July of 2003, the City of Providence Institutional Master Plan was submitted and that document talked about a building that could go up 4 stories and would have 2 floors of patient rooms.

· The plan was approved but it was clearly delineated that the community did not participate and that the hospital did not listen to their concerns, and there was a lot of anxiety about a 4 story building on Summit Avenue.

· From that, a second architect was engaged (HOK), to take another look. There was a landscaping forum of community representatives who advise the hospital on what to do to make the external environment more suitable for residential community.

· There were numerous meetings with the neighbors, Neighborhood Association and others.

· The project today is a combination of this. It contains 3 components, nursing units, ED, and release space, bringing some diagnostic services into the vacated space.

· On the bed components for in-patient rooms, the proposal is on the building that has been authorized for 2 floors, radiology and surgery, to add one more floor containing a 36 bed-nursing unit.

· 2 new nursing units will be located on the other side of the campus.

· The proposal allows creation of more private rooms and demolishing of some old beds.

Ms. Coletta presented a worksheet and made the following comments:

· This worksheet is a slight variation on what was submitted in the CON by showing private and ICU rooms separately. The number of ICU rooms does not change, and stays at 35 rooms.

· In FY'04, there are 208 beds available at Miriam.

· There was a project already started in the beginning of FY'03 based on the assumption that 3 and 4th floor patient rooms would be address in the next 6-10 years, and this was a bridge strategy to make 13 more beds available.

· In May of 2004, as a result of all the planning another alternative was created, which is the current project, and it has 3 steps.

· In FY'07, there would be 36 beds coming on-line from the unit that would be build on top of the radiology services building.

· While 36 beds are added, demolition will begin in another part of the campus that would demolish 22 beds.

· In FY'09, the hospital would be at 227-bed capacity, with 32 beds being demolished and few rooms changing from semi-private to private.

· In FY'04, there are only 17 private rooms, by FY'09 there will be 86 and at the end of the project there will be 134 rooms.

· Overall, there will be a total of 108 brand new rooms constructed. The difference is the currently existing doubles that will be turned

into singles.

Ms. Coletta continued with the presentation as follows:

· The design requires demolishing a part of the ED to build the second building.

· This proposal tries to maximize the use of the existing space and this is one example where we are able to do that.

· Various services will be moved into the vacated space by surgery and radiology.

· Many departments currently share a common room and would be able to have more private spaces.

· Pulmonary, EG and Respiratory are located in different parts of the hospital and those departments would be clustered in the patient area on the first floor.

· In terms of public need, Miriam considered the state of Rhode Island and some parts of Southern Massachusetts as their service area.

· The components of the public need are: increase increased bed capacity up to the license, state-of-the-art patient rooms, and ED.

· Increased bed capacity is necessary because there is demand. The hospital will be full if it doesn't get up to the licensed bed capacity of 247.

· Based on the analysis there is need for more than 247 beds, it is the expectation that other institutions across the state would step up as demographics change and there is higher hospital utilization than today.

· There is a negative impact to having a small patient room, personal

and noise levels.

· Satisfaction surveys show noise as the key problem for patients.

· There is a lot of focus now on privacy and confidentiality with HIPPA.

· It's hard to accommodate confidentiality when there is someone else in the room.

· The currently can't accommodate additional equipment in the rooms.

· People are not only held next to the nursing stations in the ED but some even wait to get into the ED.

· In terms of affordability, the project will require approximately $68 million, which will be funded 100% through equity.

· With the increase to the licensed bed capacity there will be incremental operating costs.

· There is approximately $3.7 million net income.

· The total costs for Surgical Services CON, Radiology CON, and Bed Upgrade CON (current project) is approximately $116.1 million.

· As of June 2004, Miriam had $85.5 million in cash or unrestricted investments.

· Miriam is in the beginning phases of a capital fund raising campaign for which the target is $28 million.

· There remains a need of $2.6 million to generate from future operations during this construction period.

· From now until FY'10, when the project would be complete, the hospital would need to have generated a $2.6 million incremental cash position.

· Miriam's financial position at the end of this fiscal year will be very strong and generating $2.6 million over 5 years is a modest accomplishment given the hospital's track record.

· HOK was engaged as an architect and determined that the hospital could meet its requirements and address the concerns of the community at the same time.

· The first option was the concept of a replacement hospital. The price for that was estimated at $250-$350 million not including cost of land, inflation and financing costs. This would take 7-10 years to construct. And the conclusion was that this would be an unrealistic option for Miriam.

· The Radiology and Surgical CONs, which cost $40 million, would need to proceed because those two projects are in such severe need that they cannot be held off for 10 years. Building a new hospital would cause those project no to be long lasting.

Ms. Colletta showed pictures of Miriam's campus and proposed project and stated the following:

· Originally the design included an interstitial space, on which the 2 additional floors would be built.

· There were 3 alternative designs created that eliminated the interstitial space and varied the size of the building, which was of concern to the neighbors.

· HOK then looked at the whole campus and the long-term need.

· The design would replace Buildings A and B with a new building. Those two buildings are the oldest on campus.

· There were different design options for having buildings on each side of the campus be 3 stories high and extending the construction over the front of the building.

· From the different design combinations, it would take too long to built out an extension, since you building over an existing and functional area, and the L shaped would not be an efficient layout.

Ms. Coletta continued with the presentation and stated the following:

· The option that is in front of the Committee is the one that would construct a 3 story buildings on the right and left sides of the campus, providing 108 beds.

· All groups that reviewed these proposals and had an opinion preferred this option.

· The hospital addressed issues identified, such as the height of the building, and will hold exterior design forums with the community.

· This option meets all the needs of the hospital. It provides patient rooms, addresses the need for private rooms, increases ED to be able to operate at the level it has, was responsive to the community and shows the plan for Miriam's campus in foreseeable future.

Mr. Greenberg inquired as to how the parking situation would be addressed to accommodate for the increase in beds. Ms. Coletta stated that there were parking studies done for the master plan and Miriam has acquired additional parking on North Main Street for employees, and thus would be able to accommodate additional visitors. She noted that there is no anticipated growth for the ED

volume. She stated that with the move of outpatient services to the Shaws Plaza, the hospital will be able to utilize the vacated parking spots.

The Chairman inquired if the Committee would be provided with a real life drawing of the proposed buildings that would include landscaping proposed. Ms. Coletta stated there are schematic drawings available. The Chairman inquired if the community has seen those drawings. Ms. Coletta stated that there is a landscaping plan that would show the exterior design concepts. Dr. Hittner stated that it has not been determined what the exterior would be like until the forums with the neighbors are completed. She noted that money has been assigned to begin landscaping process, in other areas of the hospital that will not be torn down, to make it look like what was approved by the neighborhood forums.

Mr. Greenberg inquired as to the neighbors' opinion on this, are they aware of what's going on. Ms. Coletta stated that everything that has been presented to the Committee has been shared with the neighbors and the hospital made a commitment to the community through quarterly public meetings and newsletter. She stated that the hospital's board is establishing a neighborhood relations committee and the hospital is in process of hiring a community relations liaison.

Mr. Greenberg inquired as to the progress made on the two previously approved CONs. Ms. Coletta stated that preparations are

being made to work on the electrical rerouting and by late fall and early winter work will be starting to happen and January or April is the time frame for demolition.

Ms. Friedman stated that this is first time that the neighborhood has not requested a public meeting pursuant to the rules and regulations.

The Chairman inquired as to the affect the financing for this project on the endowment. Ms. Coletta stated that $85.5 million previously mentioned does not include money from the endowment and is cash that was generated from operations over the past 5 years.

Mr. Almon stated that when $85.5 million is used there is still opportunity cost of that capital. Ms. Coletta agreed with that statement.

The applicant stated that the cost will increase but the hospital needs to do this to provide better care for the patients. The applicant stated that after this project is completed the hospital will not have the same profit margins but will be able to break even.

Staff stated that the space for ED will change from 10,700 nsf to 19,000 nsf, and inquired if the entire ED is to be renovated. Ms. Coletta stated there will be a piece that will continue to operate during construction, a piece will be added on and a piece that will be lost. Staff inquired whether the piece that would continue to exist would be

rehabbed on the inside. Ms. Coletta stated yes it would and ED would appear as a singular piece. She stated that the new design will move the entrance to the ED a couple hundred feet to where it was originally and the main ED entrance will only slide down and this does not change ambulance traffic. She stated that the project maximizes the design, and uses existing entrance. Staff inquired if this would be considered a brand new state-of-the-art ED or an improvement. Ms. Coletta stated it would be brand new state-of-the-art ED.

The Chairman stated that the Committee will need to conduct a site visit that staff will schedule.

The next item on the agenda was the application of Renal Care Group, Inc. and Titan Merger Subsidiary, Inc. for a Change in Effective Control of National Nephrology Associates, Inc. and NNA of Rhode Island, Inc. d/b/a NNA of Providence and NNA of Pawtucket.

The Chairman stated the Committee will hear the presentation of the application but would be unable to take a vote due to the lack of a quorum. He stated that this Committee is scheduled to meet next Tuesday and could possibly meet with the applicant then to take a vote.

Staff stated that the applicant appeared previously before the

Committee in April, and since then a track record was being developed regarding the applicant from other states. Staff noted that the applicant was requested to provide a summary of its track record and answer additional questions, which have been provided to the Committee. Staff noted that one of the issues was the amount of equity for this transaction. Staff noted that this is a national transaction and there would have to be an allocation of total purchase price to this facility, which has been provided. Staff read from summary provided by the applicant regarding its track record. Staff noted that based on the information provided in the summary, in Indiana, a state surveyor has recommended decertification of two facilities in alleged contravention of state nurse licensure laws, however, Indiana does not licensed ESRD facilities. Staff requested that the applicant comment on this information.

Mr. Goulet, legal counsel to the applicant, stated that this is at a global public policy stage. He noted that this is not only the applicant but other companies that operate in Indiana that have been meeting with the state's Health Department ("Department") to resolve the situation around the use of technicians who are not licensed by the Department. He stated that part of this is that the Department has never created a licensure category that has something to do with all the staffing problems and there is no real enforcement action being taken against anyone. He stated that there is still discussion to decide if the Department is going to create a licensing statute, abandon this whole pursuit, or buy into the idea that people who are

appropriately trained like the applicant's CNA, who do not get licensed but go through a program that's administered by the facilities, can then deliver care within certain specified standards.

Staff inquired if this issue was not limited to the applicant. Mr. Goulet stated that this applies to other companies as well.

Staff stated that the table identifying equity shows that the position of the applicant that it will exceed the minimum of 20% equity requirement on an allocated basis. Mr. Goulet stated that the same management would remain if this application is approved. In regards to the licensure status of the facilities in Rhode Island, the applicant noted that there have been no deficiencies and the facilities were licensed with no deficiencies.

There being no further business the meeting was adjourned at 3:55 PM.

Respectfully submitted,

Valentina D. Adamova